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## HILLENBRAND INDUSTRIES BUILDS LEADERSHIP CAPABILITIES TO DRIVE ITS NEW BUSINESS STRATEGY

*When successful Hillenbrand Industries adopted an aggressive new business strategy, it realized it might not have the leadership capabilities to execute it. It rethought its approach to leadership talent management, partnered with top-notch vendors, and employed leading-edge technologies to create integrated systems and processes for acquiring, developing, and deploying the best talent in its industries. Now, four years later, the cadre of leaders that has emerged has taken the company to even higher levels of performance* © 2003 Wiley Periodicals, Inc.

*Steve McMillen, Deborah Luebbe, and Mindy Lauber*

The business landscape is littered with the carcasses of companies that had operated as if their past success guaranteed future greatness. Hillenbrand Industries was determined not to share this fate. Four years ago, the \$2.2 billion publicly traded holding company recognized that the management strengths, talent base, and organizational culture that had made its core businesses leaders in their industries would not be sufficient to take the enterprise to the next level. It undertook a concerted, sustained campaign to build its talent pool and equip its leaders with those capabilities necessary to drive performance and achieve its aggressive strategic targets.

From its beginnings as a sawmill, built in the 1860s by German immigrant John Hillenbrand in the rich timberland of southeastern Indiana near

Batesville, Hillenbrand Industries has grown to more than 10,000 employees and three operating companies:

- Hill-Rom Company, the world's leading manufacturer of patient care systems and the leading provider of specialized rental therapy products designed to assist in managing the complications of patient immobility
- Batesville Casket Company, the largest producer of burial caskets and cremation urns
- Forethought Financial Services, the largest network of funeral homes in North America and provider of life insurance policies, trusts, and marketing support for Forethought™ funeral planning

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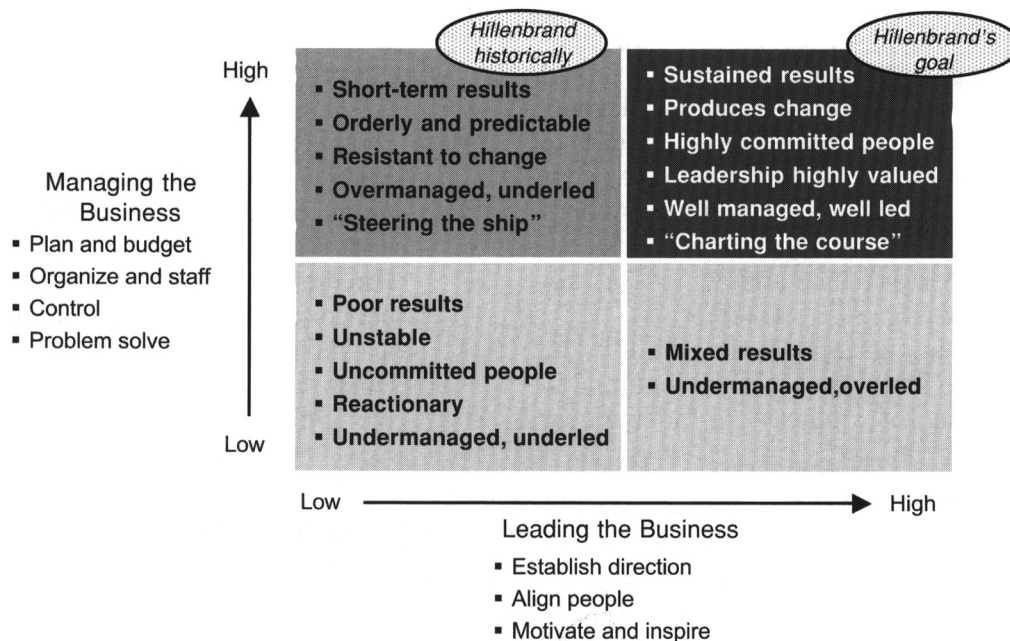
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In recent years, Hillenbrand has been recognized as one of the “world’s 100 best-managed companies” (*Industry Week* magazine) and “one of America’s most admired companies in the medical products and equipment industry” (*Fortune* magazine). Hillenbrand owes much of its success to its strong customer relationships, focused continuous improvement, profitable niche market leadership, and highly engaged employees committed to creating shareholder value. Furthermore, its various markets and their related synergies, according to Ernest Waaser, president and CEO of Hill-Rom Company, present “tremendous opportunities for continued profitable growth for Hillenbrand Industries.”

Despite this track record, in 1999 the executive leadership team began to question whether the company had the leadership bench strength necessary to achieve its plans for aggressive growth. Gus Hillenbrand, then CEO and president and now board member, recalls, “I realized that business had changed and we needed to also. Years ago, everything revolved around two or three movers and shakers, and that seemed to work fine. But things have changed drastically, and now we need to have true leaders at all levels in order to win in the marketplace.”

Historically, Hillenbrand had been able to succeed in its markets through its solid management capabilities—planning and budgeting, organizing and staffing, controlling, and problem solving. Future growth would now come from new and expanding markets, both in the United States and abroad, and would require stronger leadership capabilities—establishing direction, aligning people, motivating and inspiring—to help the company navigate these uncharted waters. “Being a good manager is not the same as being a leader,” says Ken Camp, CEO of Batesville Casket Company. “The art of leadership goes much further and requires lifelong study and practice on the part of those who seek to lead.” The company needed talent that was clearly superior at both managing *and* leading the business, a paradigm shift shown as movement from the upper left into the upper right quadrant of the diagram depicted in **Exhibit 1**. The executive team recognized this meant driving change throughout the organization.

In addition to the need for stronger leadership capabilities across the board, there were other implications for leadership skills in Hillenbrand’s new strategic direction. Whereas the corporation had managed and viewed its three operating com-



**Exhibit 1. Hillenbrand’s Paradigm Shift to Stronger Leadership Capabilities**



panies as separate silos, it now had to focus on the synergies among the businesses and manage them in a more integrated fashion where appropriate. Leadership development, talent deployment, selection criteria, etc., all needed to support this new focus. Furthermore, Hillenbrand’s past approach to leadership development was supply-side focused—identifying and developing the most able leaders in the existing pool of internal talent. But the imperative of the new strategy was that more attention be paid to the demand side of the equation:

- The capabilities required to drive the businesses and future growth
- The degree of fit between those requirements and the current talent inventory
- The best ways to develop or acquire the talent to fill any gaps

Under Gus Hillenbrand’s stewardship, Hillenbrand Industries embarked on a sustained effort, which was then expanded by current CEO and President Fred Rockwood, to develop and implement systems and processes that would build the leadership capability required to drive growth

and shareholder value creation. The Executive Leadership Development Group (ELD) was formed, and its members (the authors) were charged with establishing and embedding the systems and processes for leadership assessment, selection, succession management, performance management, and development.

Four years of effort have produced the portfolio of vehicles shown in **Exhibit 2**, which balances the development and deployment of existing talent with the acquisition of new talent in order to create and maintain a strong, capable leadership. These systems and processes have been instrumental in driving behavioral change in the organization; furthermore, they have provided a common approach and language for leveraging talent across all the businesses. We will discuss some of the pivotal initiatives in assessment, needs identification, and talent deployment that laid a solid foundation for Hillenbrand’s efforts in this arena. We will also describe Hillenbrand’s leadership development framework and several recently implemented leading-edge initiatives that add powerful development tools and processes for building leadership capabilities.



**Exhibit 2. Portfolio of Initiatives that Support Leadership Capability Development at Hillenbrand**



## ASSESSING THE SUPPLY OF TALENT

One of the first initiatives rolled out by ELD was the company's TopGrading talent strategy, an assessment vehicle that helps create an inventory of available capabilities and skills, drives development decisions for Hillenbrand leaders, and also informs the interviewing process for assessing the capabilities of external candidates. The goal of TopGrading in a nutshell is to staff Hillenbrand's mission-critical positions with "A-Players," the top ten percent of talent available *in the industry*.

**Formal Assessments.** The formal individual assessment process, done largely in dialogue with

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*ELD faced significant work in developing an understanding of the demand side of the leadership equation . . .*

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an external provider trained in clinical psychology, was piloted with the top 50 leaders at Hillenbrand. This gave the company an early reading on the strengths and development needs of incumbents in the organization's key leadership roles. It has since been cascaded down to all executive and managerial employees. The assessments of individual strengths, capabilities, and developmental needs become part of a larger "inventory" that characterizes the available pool of talent, the supply side of Hillenbrand's leadership equation. Information from other sources—performance reviews, peer/supervisor feedback, job history, etc.—are added to the individual profiles, all to be drawn upon as appropriate in the periodic reviews that are part of Hillenbrand's Leadership Talent Review (discussed later). These formal assessments are also used selectively with external candidates for key positions.

**CIDS Interviews.** One of the implications of the TopGrading talent strategy was that the company would need to evaluate top external talent for its critical positions to a far greater extent than in the past. Internal candidates would be stacked up against external candidates to find the best "A-Player" for a position. ELD set out to devise an interview process and instrument that could be used in the course of a normal job interview to capture detailed information about an individual's capa-

bilities. The result was the chronological in-depth structured (CIDS) interview, a series of structured questions that cover several aspects of an individual's experience and capabilities, including

- A chronological, in-depth job history
- Talents
- Achievements
- Aspirations
- Outcomes from the roles filled
- Methods/strategies for overcoming obstacles
- Educational background

The top 150 company leaders were trained to conduct CIDS interviews in a two-day session that included practice of the newly acquired interviewing skills on actual external candidates. ELD partnered with an external outplacement firm to bring in candidates currently in outplacement who were eager to learn new interview strategies and practice their interviewing skills—a mutually beneficial approach as the outplacement candidates and the Hillenbrand learners gained insights about interviewing skills and the expectations of the current job market. This rigorous standardized interview process has since been cascaded and embedded throughout the organization and has even been used on occasion internally to assess employees for department or functional redeployments/reorganizations.

## IDENTIFYING THE STRATEGIC LEADERSHIP NEEDS

ELD faced significant work in developing an understanding of the demand side of the leadership equation—the particular skills, capabilities, and behaviors required to deliver on the new strategic vision of the company. Two early initiatives helped create a picture of the organization's leadership needs:

- Identification of the company's mission-critical roles—those that will most impact the execution of Hillenbrand's strategic business plans—and determination of the capabilities required for those roles, which then enabled the organization to select the best talent to fill those roles and identify

any gaps between its talent needs and its talent inventory

- Identification and validation of those leadership competencies that correlated with strong business performance, which then informed Hillenbrand's assessment, selection, development, and performance management processes.

**Mission-Critical Positions.** This initiative focused initially on identification of the mission-critical positions at the top of the organization and the required capabilities to perform them well. ELD used the results of the pilot TopGrading assessments of the top 50 leaders to determine the degree to which the existing talent portfolio at the top of the house was aligned with Hillenbrand's strategic objectives and the requirements of its top mission-critical positions. Gaps were identified, and the results of the analysis were used to develop succession, development, and hiring plans. The initiative was rolled down to the next levels of management; a total of 150 mission-critical positions and their requirements were determined, compared with the TopGrading assessments and other information in the talent inventory, and the results used to help drive decisions about person/role match, whether to build or buy talent, etc. "It took almost a year to develop rigorous processes to objectively evaluate our talent compared with the best available in the market at the same price," commented Dave Robertson, Hillenbrand Industries' vice president of Administration. The entire process helped move the organization away from its historical practice of selecting and promoting the best internal talent, prompting it instead to think about the talent truly required and how best to obtain it.

The impact of the commitment to TopGrading and the associated processes is seen most clearly in the increased capabilities among the leaders who now fill Hillenbrand's mission-critical positions. In the 2-1/2 years since TopGrading implementation, more than two thirds of the incumbents in Hillenbrand's top 150 mission-critical positions are in new or significantly expanded roles. A fifth of the mission-critical roles were filled through cross-company/divisional move-

ment, which has supported the strategic need to break down business silos and capitalize on synergies between the various businesses. Another fifth of the positions have been staffed with external hires, who have expanded the organization's experience base, brought in fresh ideas and new approaches from other companies, and helped stimulate the innovation required to fuel aggressive growth. The external redeployment of talent was relatively minimal in number but significant in terms of its overall positive impact on organi-

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*Gaps were identified, and the results of the analysis were used to develop succession, development, and hiring plans.*

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zational performance and the message it sent about the company's commitment to having the best possible talent for the job.

**Leadership Competencies.** In 2000, another foundational piece for creating sustainable leadership capability was introduced by ELD into the Hillenbrand Industries lexicon—a validated leadership competency model. Rather than arbitrarily developing high potential leaders using general leadership competencies, a very conscious choice was made to identify which discrete set of competencies was most needed to execute our business strategy.

A cross-company/cross-functional team, an external consultant, and the ELD team led the effort, which also involved the top 100 leaders in the corporation, to conduct a validation study that substantiated the linkage between specific leadership competencies and performance/business results. The study had the following objectives:

- To identify the key knowledge, skills, abilities, and behaviors required of high-performing leaders to drive performance and grow the business
- To create a common language to support leadership development needs
- To help integrate and inform other human resource development systems and processes required to build a leadership development capability

At the conclusion of the three-month project, we were able to

- Identify the specific competencies that underlie high performance
- Recognize differences in competencies across business units
- Establish that the competencies are clear and understandable
- Demonstrate a consensus among participants regarding the extent to which Hillenbrand managers demonstrate the various leadership competencies
- Identify organizational strengths and developmental opportunities relative to the competencies most closely related to high performance

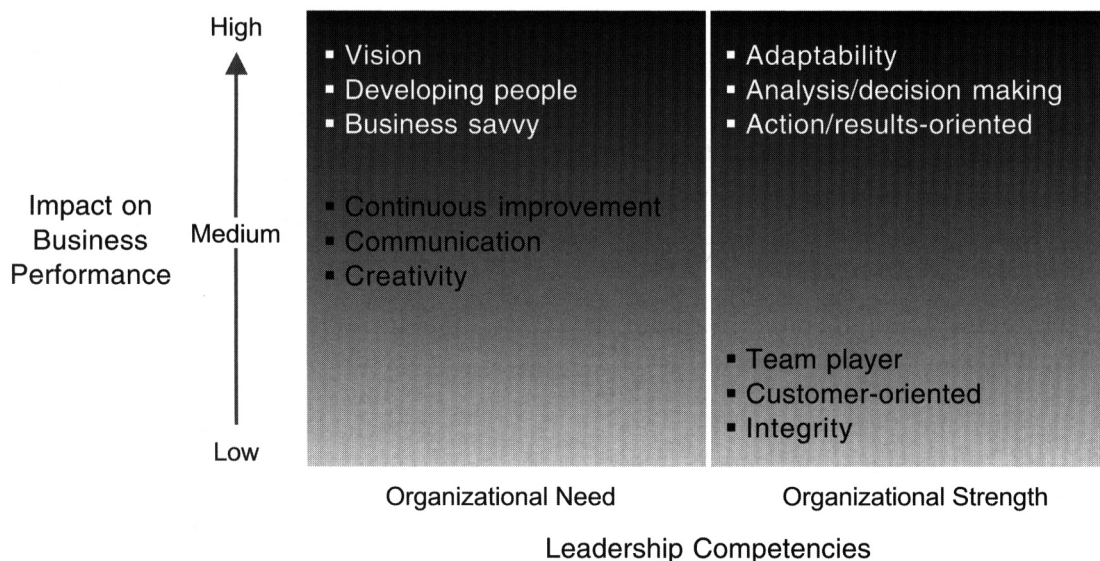
One of the most significant learnings to emerge from this study was that the three competencies judged to have the strongest link to performance—business savvy, developing people, and vision—were not viewed as Hillenbrand’s organizational strengths, and three of the leadership group’s strongest capabilities—team player, customer oriented, and integrity—did not correlate highly with business success, as shown in **Exhibit 3**. This pointed directly to a great need to address the desired competencies in development plans and programs, test for them in assessments and

performance feedback, and embed them in selection and succession criteria. After the study, ELD moved to integrate the leadership competencies into these systems and processes.

### DEPLOYING TALENT

In 2001, satisfied that we had a reliable process in place for the assessment of talent and that we understood more completely the current capabilities and target competencies of our leaders, ELD set out to redesign Hillenbrand’s succession management process. The existing process was cumbersome, unorganized, and time-consuming. The corporation needed a more efficient system—in fact, a series of processes—for identifying and deploying talent in concert with the needs that emerged from the strategic planning process in order to drive outcomes that would ultimately create shareholder value.

In a collaborative effort with HR professionals in the operating companies, strategic business planners, and an outside consultant, ELD developed the Hillenbrand Leadership Talent Review (LTR), a customized, e-based system that integrates business information captured from the strategic planning process—current market conditions, competitor plans, strategic objectives, product plans, etc.—with information on talent supply to determine talent needs, plan for suc-



**Exhibit 3. Leadership Competencies Assessment**



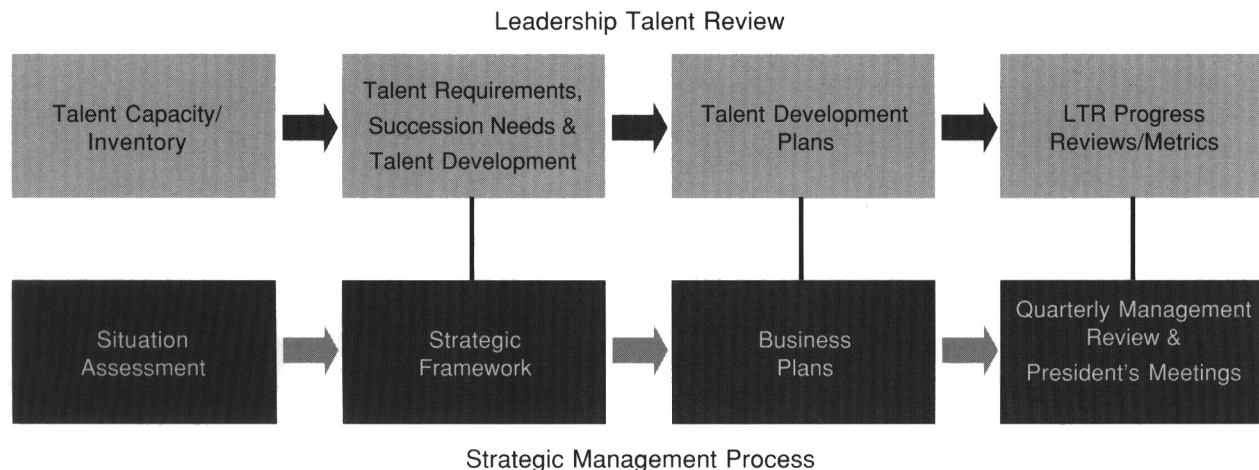
cession and individual development, and support the other decisions involved in identifying, deploying, tracking, and managing the talent pool comprising the top 150 leaders at Hillenbrand.

The LTR, illustrated in **Exhibit 4** along with its links to the Strategic Management Process, has four main areas of focus:

- **Talent Capacity/Inventory**, in which we develop and archive individual talent profiles that include assessment information, performance feedback, job history, etc., and identify high potential individuals
- **Talent Requirements, Succession Needs, and Talent Development**, in which we identify the talent demands that emerge from the Strategic Framework’s projected business needs and strategy, conduct a gap analysis between talent availability and talent demands, and create a succession inventory
- **Talent Development Plans**, in which we create roadmaps for individual development that incorporate various learning opportunities such as job rotational assignments, skill development, coaching, etc. to close skill gaps and then track actual development experiences and results
- **LTR Progress Reviews** are dialogue sessions between the operating companies’

CEOs, the Hillenbrand Executive Management Team, and the ELD staff and are held as part of the Quarterly Management Reviews and the President’s Meeting. In these reviews, decisions are made and actions taken to move hiring, development, and succession plans forward. Progress is reviewed and past actions evaluated as to their effectiveness. In addition to very specific programmatic measures, the LTR tracks broader quantitative measures such as the number of mission-critical positions with “A-Player” incumbents and the number of mission critical positions for which there are “A-Players” who are ready succession candidates. The success of coaching and development programs (discussed later) are assessed in part by tracking the performance of the various business initiatives and operating units led by the program participants. Overall company and corporate performance provides the broadest backdrop for gauging the effectiveness of Hillenbrand’s leadership systems and processes.

The LTR drives decisions about talent acquisition, individual development, promotion, and succession, with the Quarterly Management Reviews and the President’s Meetings in the Strate-



**Exhibit 4. Integration of Talent Management System and Strategic Management Process**

gic Management Process being the actual forum in which these decisions are made. "Becoming an effective leader requires 'doing' in the form of different experiences through rotational assignments. The learning is reinforced through regular, candid feedback during spot coaching and quarterly progress reviews," says Ken Camp. Participants in the process have potential for development moves and promotional opportunities within their own organizations, another Hillenbrand operating company, or a corporate organization, based upon need.

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***The content of leadership development clearly identifies the character, knowledge, and behaviors that comprise leadership excellence.***

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The integration of the LTR with Hillenbrand's Strategic Management Process provides access to the most critical source of information about the demand side of talent management. The linkage assures that Hillenbrand acquires and develops leaders with skills to carry it into the future, that business needs are meshed with the career plans and development needs of each participant, and that the process is flexible and adaptive to changing business requirements. This systematic approach has become fully embedded in the strategic process and is virtually transparent, seen no longer as an "additional thing to do" but rather as a natural continuation of the business planning process.

## DEVELOPMENT

Building on a solid foundation of assessment, selection, and succession planning systems and processes, ELD turned much of its attention in 2002 and 2003 to the creation of a leadership development framework and specific programs to implement it. The leadership framework that emerged embeds three aspects of leadership development:

- Content
- Progression
- Process

**Content.** The content of leadership development clearly identifies the character, knowledge,

and behaviors that comprise leadership excellence. An individual must master three domains to be a peak-performing leader, what we call at Hillenbrand Industries the BE/KNOW/DO of leadership:

- BE represents the fundamental attributes and character essential for leadership.
- KNOW encompasses the skills, competencies, and knowledge a person needs to do his/her job as a leader.
- DO refers to the behaviors a leader must exhibit (which truly demonstrate character to the outside world) to be an effective leader in a way that is sustainable.

**Progression.** The progression of leadership development describes three levels of leadership mastery that a person must possess in order to operate at the highest levels of leadership:

- *Level I—Leading Self* is self-mastery over what the individual thinks, feels, and does.
- *Level II—Leading Others* is the ability to influence others in what they think, feel, and do.
- *Level III—Leading Organizations* is the ability to shape the direction and behavior of an entire organization.

**Process.** The process of leadership development at Hillenbrand Industries addresses both the content and progression of leadership and occurs through three channels, or mechanisms:

- *Job Experience* gained through work assignments and job rotation
- *Leadership Education* through public and in-house programs/seminars
- *Feedback and Relationships* involving coaches, mentors, managers, and 360-degree feedback

This framework has guided the design of the suite of leadership development programs now in place at Hillenbrand Industries (see Exhibit 2). Of special note are three newly implemented flagship programs that synergistically support the content, progression, and processes in the leadership development framework:

- Foundations of Leadership
- Strategic Executive Coaching
- Peak Performance Center

The programs focus on particular aspects of the leadership development framework and embody leading-edge technologies and processes. Together they provide a multi-faceted way for thinking about and building leadership talent that is aligned with and also drives the corporation's strategic agenda. These programs offer a differentiated approach to Hillenbrand's investment in talent, and only those individuals perceived capable of assuming greater responsibilities in the business and who are highly receptive to innovative forms of learning and development are nominated to participate in them.

**Foundations of Leadership.** The earlier leadership competency study made us aware of the need to improve the organization's ability to develop its people, a competency very important to its future success but an existing area of weakness. ELD's initial focus for building a stronger development capability was the BE of the BE/KNOW/DO framework—the basic area of leadership character. We believe leaders gain respect, support, personal fulfillment, and ultimately success by better understanding themselves and those who work for or with them.

We developed a customized program, *Foundations of Leadership*, in partnership with the Center for Creative Leadership (CCL) in Greensboro, North Carolina, which has received *BusinessWeek* magazine's top ranking for leadership development as well as numerous other awards for its delivery of exceptional leadership experiences. The Foundations of Leadership program, modeled after CCL's flagship Leadership Development Program, is a five-day intensive, activity-enriched experience in which participants

- Learn effective leadership skills
- Learn how to build work relationships
- Develop influencing skills
- Learn to manage conflict
- Experience increased personal awareness and growth

Prior to the weeklong session, each participant completes numerous standardized assess-

ment instruments that provide a holistic picture of strengths and weaknesses:

- Myers-Briggs Type Indicator
- FIRO-B
- Change Style Indicator
- Campbell Leadership Indicator
- California Psychological Inventory
- Customized Benchmarks

They also complete a customized *Benchmark* feedback report, which includes information about job challenges, leadership style, and interpersonal skills.

**Exhibit 5** outlines the focus of each day in the weeklong Foundations of Leadership program, which graduated its first group of participants in February 2003. Participants experience extensive assessment, simulations, group exercises, and personal coaching to develop and refine leadership skills that will help them in the management of self, others, and organizations. Attendees have the opportunity to establish relationships and problem solve with other Hillenbrand managers who are at a similar stage in their careers. Videotaped sessions help develop coaching and interpersonal skills, and a half-day of leadership and team problem-solving challenges allow participants to practice new behaviors in a nonthreatening environment.

Day One	Setting the stage for development
Focus: Self	
Day Two	Exploring development as an interdependent process
Focus: Others	
Day Three	Exploring individual's leadership style within the process of change needed to meet organizational challenges
Focus: Organizations	
Day Four	Integrating information from the week and receiving support for individual's development
Focus: BE-KNOW-DO	
Day Five	Developmental planning strategies to achieve personal and professional goals
Focus: BE-KNOW-DO	

**Exhibit 5. Focus of Foundations of Leadership Course**



Participants receive a thorough appraisal of their leadership styles and behaviors from several sources—supervisors, direct reports, peers, program attendees, and CCL staff. All feedback is strictly confidential, and each participant receives a one-on-one session with a CCL feedback coach to review the results of the week and to begin setting clearly defined goals. This is one of the most valuable aspects of the program as it assists the participants in processing, interpreting,

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*All feedback is strictly confidential, and each participant receives a one-on-one session with a CCL feedback coach to review the results of the week and to begin setting clearly defined goals.*

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and converting their program experience into practical applications that specifically relate to their own job responsibilities and organizational goals. Development objectives are crafted and then integrated into the Hillenbrand Performance Management System (APEX) to maintain momentum, track progress, and ensure the learning continues after returning to work.

Participants for the program are nominated by each of the operating companies and Corporate based on the following criteria:

- Excellent past performance and future leadership potential
- Responsible for leading strategic initiatives and people
- Developmental experience that will directly contribute to increasing organizational capability/performance

The corporation's Executive Management Team reviews the nominations and makes a final selection of individuals who will attend the program.

Following the program, the CEO conducts a roundtable discussion with participants to discuss the program impact, explore how individuals will apply the learnings, and solicit suggestions for how to improve the program for future participants.

Some of the outcomes and benefits for program participants include the following:

- An understanding of their current leadership strengths and development needs and

how their leadership style affects workgroups and organizations

- Sustainable processes for continuous leadership development, both professional and personal
- Successful strategies for managing conflict and change
- Understanding of human interaction and how to improve the performance of others
- Clear development direction and an action plan built into their performance appraisals to close gaps and better utilize strengths
- Relationships built across the operating companies to share learnings and best practices

In addition to the continued focus on development within the performance management system, a 360-degree assessment of each participant is administered three months after the session to gain feedback on the extent to which each participant has made positive change as a direct result of attending Foundations of Leadership.

**Strategic Executive Coaching.** In November of 2002, Hillenbrand took another step forward in the execution of its leadership development framework by launching two synergistic coaching programs to enhance the capabilities of leaders charged with mission-critical initiatives. In the first of these, the strategic executive coaching initiative, participants gain greater self-awareness, and as they execute goals and objectives designed to improve self-development and business outcomes, organizational effectiveness is improved.

Following a very thorough review of the myriad coaching providers and models, ELD selected a Pennsylvania-based consulting firm, the Continuous Learning Group, as having the approach that best aligned with Hillenbrand's objectives of leadership development and successful strategy execution. **Exhibit 6** details the steps in Hillenbrand's strategic coaching process, from orientation through measuring success.

To assure that coaching is used for those individuals and situations where the return on the substantial financial investment will be maximized, the organization applies a careful selection process with clear criteria. An initial screening takes place using a strategic organizational

lens and business-driven criteria; in this way organizational priorities are given primary consideration. A second screening evaluates candidates relative to individual-oriented criteria. This two-pronged selection process is illustrated in **Exhibit 7**.

A critical success factor in launching a coaching intervention is to win the support of the executive nominated by others but who has not directly requested the coaching. Clear communication about the purpose, goals, criteria for selection, and endorsement by senior nominating executives is imperative. The coaching nominee receives a personal invitation to participate in coaching from his or her

operating company CEO. In addition, a congratulatory letter from the enterprisewide CEO is sent to each participant and emphasizes the following points:

- Coaching is viewed as a positive, developmental experience for executives who demonstrate potential to assume higher levels of responsibility and leadership.
- Coaching is a differentiated investment in the individual; only a select few receive this service.
- Coaching is recommended for those executives who are charged with highly strategic or high profile initiatives.

### **1. Orientation Session**

A member of the Executive Leadership Development Group (ELD)

- Meets with the coaching participant and provides background/context on the provider and the process
- Identifies three coaches who have been matched as potential “good fits” for the coaching participant to interview and make a final selection

### **2. Initial Coaching Session**

Coach and participant meet to

- Establish rapport, discuss coach’s previous experiences, expertise, and style
- Discuss general business challenges and potential desired outcomes of the coaching intervention

### **3. Data Collection**

Coach conducts 360-degree interviews with boss, direct reports, peers, and other individuals who can provide data related to leadership development and strategy execution issues faced by the coaching participant.

### **4. Coaching Sessions**

- Coach provides feedback from the 360-degree interviews.
- Based on the feedback, the coach and participant establish leadership behavior changes that will generate desired business outcomes.
- Over a 6–8 month period, the coach and participant meet twice a month (face-to-face and phone meetings) to track progress, discuss behavior changes initiated/practiced by participant, and overall progress toward business goals.
- Coach provides performance feedback relative to established targets and may include job shadowing to observe behaviors/progress of participant.

### **5. Measuring Success**

ELD monitors/reports on leading/lagging indicators of the coaching intervention:

- Routinely collects feedback from participants related to satisfaction with process, coach, and progress toward execution of business targets
- Reports anecdotal data to Executive Management Team (EMT) and the coaches

### **6. Transition**

- Throughout the coaching experience, the participant has been practicing/building skill to sustain progress at the conclusion of the intervention; when appropriate, participant has cascaded learning/practices to others.
- Coach and participant agree that coaching relationship is concluded.
- As soon as possible, lagging indicators of success are reported to ELD/EMT.

## **Exhibit 6. Strategic Executive Coaching Process**

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### ***Review the Strategy and Business Plans***

- Which are the most critical business initiatives?
- Is coaching an appropriate intervention for executing the strategy?

### ***Identify Candidates***

- Which roles are responsible for executing the strategy?
- Who are the individuals in these roles?
- Who would best leverage the coaching intervention to the benefit of the organization?

### ***Screen Candidates***

#### **Developmental Capability/Readiness:**

- Strong current and past performance
- Capable of taking on greater responsibility—potential to move upward one or two levels
- Has demonstrated eagerness and receptivity to developmental experiences

#### **Ongoing Leverage:**

- Demonstrates ability to apply new learning to other situations
  - Eager to share new learning with others, cascading knowledge and skill to others in the organization
  - Is a role model for professional development
- 

### ***Exhibit 7. Selection Process and Criteria for Coaching Candidates***

The selection of the right candidates for participation, a premier provider in the industry, and faithful application of the process have been our greatest assurances of success. We have positive leading indicators of success; for example, original rater groups have reported desirable behavior change on the part of participants. However, we will need more time to judge the impact of the program on the full measure of broader lagging indicators related to strategy execution and long-term organizational performance.

**Peak Performance Center.** In conjunction with the launch of the strategic executive coaching in November 2002, a second, complimentary executive development program was offered to support the BE—Leading Self component of the leadership framework. Hillenbrand Industries' underlying philosophy is that the privilege to lead others requires a leader to first be self-aware and work to achieve a level of self-mastery worthy of her or his leadership position in the organization. With the vision and enthusiastic support of CEO Fred Rockwood, as well as the expertise of Louis Csoka, retired Colonel and former head of the

West Point Peak Performance Center, Hillenbrand Industries established one of the first peak performance centers in a corporate setting. The goal of this leading-edge facility is to promote self-mastery by “educating and developing Hillenbrand Industries’ leaders in essential peak-performance skills that will enhance individual and organizational performance.”

Athletes and other individuals who strive for self-mastery have long practiced the five skill areas associated with this discipline:

- Positive thinking
- Goal setting
- Attention control
- Stress management
- Visualization/imagery/meditation

In recent years, advances in biofeedback technology have made it possible to show physiological evidence of personal mastery in these areas. The ability to scientifically document evidence of progress through the technology as well as through anecdotal evidence has greatly increased the receptivity to this unique type of learning in a business setting.

During the 20 one-hour sessions in the Peak Performance Center, participants receive coaching in the use of the technology to

- Improve attention and ability to focus
- Manage response to stress
- Improve their ability to visualize and practice their successful performance in challenging situations

The participants progress through the 20 sessions with one-on-one coaching from trained performance psychologists. Individualized affirmation CDs are designed for the participants to support the specific business goals against which they are applying their learnings in the Center. Some of the same biofeedback software that is used by the participant at the Center is installed on the participant’s office desktop to enable practice between formal weekly Center visits. As the participants gain greater mastery of the five major skills, they have the opportunity to practice in a simulation room within the Center, where they are filmed and receive immediate feedback as they



deliver presentations, conduct meetings, deliver feedback, and manage stressful situations.

Although the selection criteria for participation in the Peak Performance Center are similar to those for the strategic executive coaching program, the PPC experience is available to groups as well as individuals. In certain situations there is value for a cohort group—a small project team or a group such as a cross-divisional finance function—to participate in the PPC in preparation for a challenge that the team will face together.

Either as a stand-alone intervention or coupled with one-on-one strategic executive coaching, peak performance training is proving to be a powerful development tool for building leadership talent at Hillenbrand Industries. In a recent assessment of the success of the Center, 16 of the 18 initial participants recommended the PPC to others. According to Steve Lang, CEO of Hillenbrand's Forethought Financial Services, "My experience with the Peak Performance Center has been one of the most impactful leadership development experiences of my career. It provides consistency, cohesiveness, common ground, and common language, as well as a shared experience, for leadership development." An ROI analysis is currently underway to measure the financial impact of this innovative leadership development intervention.

## CONCLUSION

Hillenbrand Industries believes that the systems and processes it has implemented to develop leadership capabilities in the corporation have already shown signs of being successful, with even more value to be delivered in the future. According to VP of Administration Dave Robertson, "The greater our progress, the greater the opportunities for improvement." In addition to the metrics and outcomes ELD tracks for individual initiatives—some of which have been mentioned here—we also look at the bigger picture of corporate and individual business performance, this being the ultimate objective of our efforts. Shareholder value, reflected in the price of Hillenbrand stock, has grown since our efforts began four years ago, with Hillenbrand stock up from about \$26 a share in late 1999 to about \$54 a share in August of 2003, with steady growth through most of that

period. In the same period, the Standard & Poor 500 trended downward from 1200 to the 900s, and even below 900 for a time. While correlation is not causation, we believe that our sustained efforts to increase the leadership capabilities and readiness of Hillenbrand's top 150 leaders is a contributing factor in the business performance that has underpinned the appreciation in the stock price.

Reflecting on the challenges and successes of the past four years, we can identify six major points of learning that may be of value to others who are contemplating a business transformation of this magnitude.

**Gain board and senior management alignment and commitment.** The business case for launching such initiatives must be compelling and be directly related to the strategic needs of the business. Do your homework and present a case to se-

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***Incrementalism does not get the organization where it needs to go when major change is required.***

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nior leadership that shows the relationship between proposed expenditures on leadership development and the potential business outcomes/benefits.

**TopGrade first.** Put only top talent in the mission-critical roles. In this way you will begin with the best and brightest players to execute the business strategy. Your development programs can then focus on further enhancing their capabilities to maintain your competitive edge.

**Set aggressive targets.** Challenge yourself to do what appears to be the impossible. Incrementalism does not get the organization where it needs to go when major change is required. Building or strengthening the talent pool is not an overnight proposition, and only aggressive action will compress the normally long lead times required for such a transformation.

**Stay the course.** Change is difficult; some resistance is to be expected. Barriers are inevitable, so be adaptive when they arise.

**Create internal partnerships.** In an enterprise with multiple businesses, each business has unique needs. Establish partnerships that recognize those needs and differences, seek input from business

leaders and human resources professionals at the operating company level, and adapt your leadership initiatives accordingly.

Create external partnerships. Drawing on our years of experience in the field, the ELD staff knew the premier coaching providers, consultants, and training vendors to consider for Hillenbrand's initiatives. Select only those providers who are leaders in their fields and can provide evidence of their successful work in the areas of interest to you. These providers should offer value-added services such as communication tools, implementation models, and suggestions for measuring the success of the initiative, both qualitative and quanti-

tative. They should also work closely with the internal leadership development staff to ensure alignment of purpose and seamless communication.

As for Hillenbrand Industries' leadership development efforts, they are far from over. The desire to go global with the businesses, and the constantly shifting competitive landscape, will continue to exert pressure on the organization to keep its leadership skills well honed. As we evaluate the effectiveness of the systems and processes already in place, we will continue to seek even more effective ways of strengthening the capabilities of Hillenbrand's leaders to take the enterprise forward.